

# Head of the Lakes United Way

Financial Report  
June 30, 2019

## Contents

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Independent auditor's report on the financial statements	1-2
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Financial statements	
Statements of financial position	3
Statements of activities	4-5
Statements of functional expenses	6-7
Statements of cash flows	8
Notes to financial statements	9-17

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Independent auditor's report on the supplementary information	18
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Supplementary information	
Other program services	19-20
Fundraising expenses	21

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## Independent Auditor's Report

To the Board of Directors  
Head of the Lakes United Way

### Report on the Financial Statements

We have audited the accompanying financial statements of Head of the Lakes United Way, which comprise the statements of financial position as of June 30, 2019, and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Head of the Lakes United Way as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2019 the entity adopted new accounting guidance Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. Our opinion is not modified with respect to this matter.

*RSM VS LLP*

Duluth, Minnesota  
October 16, 2019

Head of the Lakes United Way

Statements of Financial Position  
June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents:		
Unrestricted	\$ 1,236,170	\$ 1,322,116
Restricted (Note 2)	-	5,445
Investments	50,477	46,158
Contributions receivable, less allowance for uncollectibles of \$82,427 in 2019 and \$92,816 in 2018	485,775	549,390
Other receivables	83,540	67,990
Prepaid expenses	9,339	8,444
Property and equipment, net (Note 4)	41,991	55,261
Beneficial interest in perpetual trust (Note 5)	4,682,366	4,441,173
Beneficial interest in assets held by others (Note 6)	624,815	622,373
	<u>\$ 7,214,473</u>	<u>\$ 7,118,350</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Allocations and designations payable (Note 7)	\$ 908,603	\$ 963,766
Deposits held for others (Note 2)	-	5,445
Accounts payable	3,329	13,076
Accrued expenses	51,042	50,594
Unearned revenue	55,450	-
<b>Total liabilities</b>	<u>1,018,424</u>	<u>1,032,881</u>
Net assets:		
Without donor restrictions		
Non-designated	-	102,208
Board designated (Note 12)	800,046	826,030
Property and equipment	41,991	55,261
United Way Endowment Fund (Note 6)	624,815	622,373
<b>Total without donor restrictions net assets</b>	<u>1,466,852</u>	<u>1,605,872</u>
With donor restrictions (Note 8)	4,729,197	4,479,597
<b>Total net assets</b>	<u>6,196,049</u>	<u>6,085,469</u>
	<u>\$ 7,214,473</u>	<u>\$ 7,118,350</u>

See notes to financial statements.

## Head of the Lakes United Way

### Statements of Activities Years Ended June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Gross campaign results	\$ 1,720,596	\$ 27,385	\$ 1,747,981
Gross campaign results in prior year, released from restrictions	11,978	(11,978)	-
<b>Total campaign results</b>	<b>1,732,574</b>	<b>15,407</b>	<b>1,747,981</b>
Less donor designated contributions (Note 7)	(82,508)	-	(82,508)
Less provision for uncollectible accounts	(35,180)	-	(35,180)
<b>Net campaign revenue</b>	<b>1,614,886</b>	<b>15,407</b>	<b>1,630,293</b>
Perpetual trust contribution	223,484	-	223,484
Duluth-Superior Area Community Foundation contribution	26,525	-	26,525
Other contributions	238	-	238
Grant income	17,074	15,000	32,074
Sponsorships	18,000	-	18,000
Bequests and memorials	100	-	100
Special events	18,032	-	18,032
Services revenue	111,144	-	111,144
Net assets released from restrictions	22,000	(22,000)	-
<b>Total public support</b>	<b>2,051,483</b>	<b>8,407</b>	<b>2,059,890</b>
Investment income	(3,588)	-	(3,588)
Change in beneficial interest in assets held by others	28,311	-	28,311
Change in beneficial interest in perpetual trust	-	241,193	241,193
Donated goods and services	3,719	-	3,719
Miscellaneous	11,072	-	11,072
<b>Total revenue</b>	<b>2,090,997</b>	<b>249,600</b>	<b>2,340,597</b>
Allocations and expenses:			
Allocations and program services:			
Gross allocations to agencies for programs	1,260,068	-	1,260,068
Less donor designated contributions (Note 7)	(82,508)	-	(82,508)
<b>Net allocations awarded (Note 9)</b>	<b>1,177,560</b>	<b>-</b>	<b>1,177,560</b>
Initiatives distributions (Note 9)	2,000	-	2,000
Other program services	519,469	-	519,469
<b>Total program expenses</b>	<b>1,699,029</b>	<b>-</b>	<b>1,699,029</b>
Supporting services:			
Management and general	189,879	-	189,879
Fundraising	341,109	-	341,109
<b>Total allocations and expenses</b>	<b>2,230,017</b>	<b>-</b>	<b>2,230,017</b>
<b>(Decrease) increase in net assets</b>	<b>(139,020)</b>	<b>249,600</b>	<b>110,580</b>
Net assets:			
Beginning of year	1,605,872	4,479,597	6,085,469
End of year	\$ 1,466,852	\$ 4,729,197	\$ 6,196,049

See notes to financial statements.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,859,541	\$ 11,978	\$ 1,871,519
18,470	(18,470)	-
1,878,011	(6,492)	1,871,519
(89,719)	-	(89,719)
(31,745)	-	(31,745)
1,756,547	(6,492)	1,750,055
209,265	-	209,265
26,960	-	26,960
58	-	58
27,708	20,000	47,708
23,500	2,000	25,500
-	-	-
14,219	-	14,219
115,897	-	115,897
20,000	(20,000)	-
2,194,154	(4,492)	2,189,662
3,046	-	3,046
46,835	-	46,835
-	288,343	288,343
28,071	-	28,071
9,775	-	9,775
2,281,881	283,851	2,565,732
1,339,416	-	1,339,416
(89,719)	-	(89,719)
1,249,697	-	1,249,697
2,000	-	2,000
539,422	-	539,422
1,791,119	-	1,791,119
189,020	-	189,020
307,373	-	307,373
2,287,512	-	2,287,512
(5,631)	283,851	278,220
1,611,503	4,195,746	5,807,249
\$ 1,605,872	\$ 4,479,597	\$ 6,085,469

## Head of the Lakes United Way

### Statements of Functional Expenses Years Ended June 30, 2019 and 2018

	2019			
	Program Services	Management and General	Fundraising	Total
Gross allocations to agencies for programs	\$ 1,260,068	\$ -	\$ -	\$ 1,260,068
Less donor designated contributions	(82,508)	-	-	(82,508)
<b>Net allocations awarded</b>	<b>1,177,560</b>	<b>-</b>	<b>-</b>	<b>1,177,560</b>
Initiatives distributions	2,000	-	-	2,000
Salaries	320,366	114,007	208,040	642,413
Payroll taxes	22,971	8,024	14,750	45,745
Employee benefits	87,494	14,896	38,464	140,854
<b>Total salaries and related expenses</b>	<b>430,831</b>	<b>136,927</b>	<b>261,254</b>	<b>829,012</b>
Conferences, conventions, and meetings	14,849	2,988	7,978	25,815
Insurance	4,583	343	886	5,812
Membership dues	1,119	946	2,447	4,512
Other	2,420	343	6,417	9,180
Occupancy	17,898	5,978	15,461	39,337
Postage	781	545	3,411	4,737
Printing and marketing	2,230	706	5,079	8,015
Professional fees	742	29,851	506	31,099
Rental and maintenance of equipment	16,317	2,810	7,450	26,577
Supplies	1,440	232	2,138	3,810
Telephone and communications	5,009	1,359	4,756	11,124
Special events	6,392	-	6,631	13,023
Donated services	450	1,048	1,680	3,178
United Way Worldwide	10,990	2,712	7,015	20,717
Depreciation	3,418	3,091	8,000	14,509
<b>Total other program services</b>	<b>519,469</b>	<b>189,879</b>	<b>341,109</b>	<b>1,050,457</b>
<b>Total allocations and expenses</b>	<b>\$ 1,699,029</b>	<b>\$ 189,879</b>	<b>\$ 341,109</b>	<b>\$ 2,230,017</b>

See notes to financial statements.



2018

Program Services	Management and General	Fundraising	Total
\$ 1,339,416	\$ -	\$ -	\$ 1,339,416
(89,719)	-	-	(89,719)
1,249,697	-	-	1,249,697
2,000	-	-	2,000
339,695	103,674	162,153	605,522
26,979	8,220	12,895	48,094
68,869	12,041	28,979	109,889
435,543	123,935	204,027	763,505
16,951	3,252	6,696	26,899
4,744	352	724	5,820
1,976	1,220	2,598	5,794
2,008	431	7,454	9,893
21,079	5,703	11,744	38,526
1,201	515	2,577	4,293
2,535	349	8,912	11,796
3,881	39,779	3,803	47,463
17,857	3,206	6,641	27,704
1,923	278	2,065	4,266
5,623	1,409	4,316	11,348
5,626	-	7,407	13,033
450	2,256	25,365	28,071
12,783	2,901	5,973	21,657
5,242	3,434	7,071	15,747
539,422	189,020	307,373	1,035,815
\$ 1,791,119	\$ 189,020	\$ 307,373	\$ 2,287,512

**Head of the Lakes United Way**

**Statements of Cash Flows  
Years Ended June 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 110,580	\$ 278,220
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	14,509	15,747
Changes in:		
Beneficial interest in:		
Assets held by others	(2,442)	(20,392)
Perpetual trust	(241,193)	(288,343)
Assets and liabilities:		
Contributions receivable	63,615	110,554
Other receivables	(15,550)	21,942
Prepaid expenses	(895)	1,086
Investments	(4,319)	9,830
Allocations payable and designated pledges	(55,163)	(8,774)
Deposits held for others	(5,445)	(1,737)
Accounts payable	(9,747)	6,932
Accrued expenses	448	4,859
Unearned revenue	55,450	-
<b>Net cash (used in) provided by operating activities</b>	<b>(90,152)</b>	<b>129,924</b>
Cash flows from investing activities:		
Purchase of property and equipment	(1,239)	-
<b>Net cash used in investing activities</b>	<b>(1,239)</b>	<b>-</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(91,391)</b>	<b>129,924</b>
Cash and cash equivalents:		
Beginning	1,327,561	1,197,637
Ending	<b>\$ 1,236,170</b>	<b>\$ 1,327,561</b>

See notes to financial statements.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** Head of the Lakes United Way (the Organization) is a voluntary health and welfare nonprofit entity organized to lead a united response to the human service needs of the Ashland-Bayfield, Greater Duluth, North Shore and Superior-Douglas County Communities.

A summary of the Organization's significant accounting policies follows:

**Net assets:** The Organization reports its net assets and changes therein in the following categories:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. See Note 8 for further information.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Support and expenses:** Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Expenses are recorded as incurred in accordance with the accrual basis of accounting.

**Donated goods and services:** Donated goods and services are reflected in the statements of activities at their estimated fair values at date of receipt. During the years ended June 30, 2019 and 2018, the Organization recognized \$3,719 and \$28,071, respectively, of donated services relating to advertising and website development. In addition, a substantial number of unpaid volunteers have made significant contributions of their time to the Organization's program services and fundraising campaigns. These donated services are not reflected in the financial statements since the services do not require specialized skills.

**Cash and cash equivalents:** Unrestricted highly liquid investments with an initial maturity of three months or less are considered cash equivalents. The carrying value approximates fair value.

**Investments:** Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income or loss, including gains and losses on investments, interest, and dividends, is included in the statement of activities as increases or decreases in unrestricted net assets unless the gains or losses are restricted by donor stipulations or by law. Investments in certificates of deposit are reported at amortized cost.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Contributions receivable:** All contributions receivable are due in less than one year. Management determines the allowance for uncollectible accounts by using historical collection experience applied to pledges received by the Organization and by identifying troubled accounts. Contributions receivable are written off when deemed uncollectible. Recoveries of contributions receivable previously written off are recorded when received.

**Other receivables:** Other receivables include grant receivable, service fee receivable, and distribution receivable from the beneficial interest assets. All amounts are expected to be collected in less than one year.

**Property and equipment:** Property and equipment acquisitions are recorded at cost. Depreciation is provided using the straight-line method based on estimated useful lives of individual units of 3 - 5 years.

**Unearned revenue:** Funds received but not earned from exchange transactions and conditional contributions received where the conditions have not been met are classified as unearned revenue. Revenues will be recognized in future periods when earned, typically as the expenses are incurred, or when the conditions are met.

**Concentration of credit risk:** The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

**Fair value measurement:** The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

**Level 1:** Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

**Level 3:** Unobservable inputs for the asset or liability should be used to measure the fair value to the extent that observable inputs are not available.

The fair value of investments (equities) is determined using the Level 1 inputs described above and fair value of the beneficial interest in perpetual trust and the beneficial interest in assets held by others are determined using the Level 3 inputs described above.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### **Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

**Income taxes:** The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Not-for-profit organizations may become subject to income taxes if qualification as a tax-exempt entity changes, if unrelated business income is generated, and in certain other instances. Not-for-profit organizations are required to assess the certainty of their tax positions related to these matters and, in some cases, record liabilities for potential taxes, interest and penalties accompanied by footnote disclosures. The Organization has not identified any uncertain tax positions that would require the accrual of an income tax provision.

Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2015.

**Functional expenses:** The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Where a cost can be attributed to a single function, a direct allocation of expense is made to that function. When rent expense cannot be allocated directly to a specific function, rent expense is allocated based upon square footage. All remaining costs are expensed to functions using an allocation process based upon time studies on a bi-weekly basis.

**Use of estimates in the preparation of financial statements:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated subsequent events through October 16, 2019, the date the financial statements were issued, in preparing the financial statements and related footnotes.

**Recently adopted accounting standards:** During 2019 the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. The adoption of this guidance did not have an impact on the Organization's financial position or operating results; however, additional disclosures and the reclassification of prior-year net assets to conform to the current year's presentation format were required.

#### **Note 2. Restricted Cash and Deposits Held for Others**

The Organization was fiscal agent for the Duluth Youth Coalition. The Organization reports restricted cash and deposits held for others of \$0 and \$5,445 at June 30, 2019 and 2018, respectively, for the Duluth Youth Coalition.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 3. Availability and Liquidity

The following reflects the Organization's financial assets as of June 30, 2019, available to meet cash needs for general expenditures within one year of June 30, 2019:

	<u>Amount</u>
Cash and cash equivalents	\$ 1,236,170
Investments	50,477
Contributions receivable	485,775
Other receivables	<u>83,540</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,855,962</u></u>

The Organization's goal is generally to maintain financial assets to meet the Board designated net assets (\$800,046), Community Care allocations payable at the end of the year (\$882,012) and three months of other program services expenses (approximately \$260,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market funds.

#### Note 4. Property and Equipment

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 227,097	\$ 225,858
Leasehold improvements	47,553	47,553
	<u>274,650</u>	<u>273,411</u>
Less accumulated depreciation	232,659	218,150
	<u><u>\$ 41,991</u></u>	<u><u>\$ 55,261</u></u>

#### Note 5. Beneficial Interest in Perpetual Trust

The Organization is the sole beneficiary of the yearly income derived from the assets of Head of the Lakes United Way Trust. The beneficial interest in perpetual trust is recorded at fair value, which is estimated as the fair value of the underlying trust assets. As discussed in Note 1, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a Level 3 measure.

	<u>2019</u>	<u>2018</u>
Beneficial interest, beginning of year	\$ 4,441,173	\$ 4,152,830
Increase in beneficial interest	464,677	497,608
Amount distributed	(223,484)	(209,265)
Beneficial interest, end of year	<u><u>\$ 4,682,366</u></u>	<u><u>\$ 4,441,173</u></u>

The change in the fair value of the beneficial interest in the trust is recognized in the statement of activities.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 6. Beneficial Interest in Assets Held by Others

The United Way Endowment Fund (the Fund) was established with the Duluth-Superior Area Community Foundation (the Foundation) by both the Organization and third party donors. The Organization is the sole beneficiary of the Fund.

The portion of the Fund contributed by the Organization is reported as an asset of the Organization. The Organization has granted variance power to the Foundation. This variance power allows the Foundation to move funds received by the Foundation from the Fund to other Foundation endowment funds if deemed appropriate. The net income of the Fund shall be distributed at least annually to the Organization. The balance at June 30, 2019 and 2018, is included in the balance sheet under the caption "Beneficial Interest in Assets Held by Others." This portion is recorded at fair value, which is estimated as the fair value of the underlying trust assets. As discussed in Note 1, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a Level 3 measure.

	2019	2018
Beneficial interest, beginning of year	\$ 622,373	\$ 601,981
Increase in beneficial interest	28,311	46,835
Amount distributed	(25,869)	(26,443)
Beneficial interest, end of year	<u>\$ 624,815</u>	<u>\$ 622,373</u>

The portion of the Fund contributed by unrelated third party donors is considered a contribution to the Foundation, as the Foundation has been granted variance power over these assets. This portion of the Fund, \$643,110 and \$640,287 at June 30, 2019 and 2018, respectively, has not been recorded as an asset on these financial statements.

#### Note 7. Allocations and Designations Payable

	2019	2018
Community Care allocations payable	\$ 882,012	\$ 944,116
Donor designated contributions	26,591	19,650
	<u>\$ 908,603</u>	<u>\$ 963,766</u>

The Organization receives various donor pledges that are designated for specific beneficiaries. The Organization is considered an agent for the donor designated beneficiaries and, as such, records amounts received from the donor as a liability to the designated beneficiaries. The donor designated contributions are not included in revenue of the Organization. During the years ended June 30, 2019 and 2018, the Organization raised \$82,508 and \$89,719, respectively, of donor designated contributions, of which amounts due to the designated beneficiaries are included in the above table.

## Head of the Lakes United Way

### Notes to Financial Statements

#### Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following:

	2019	2018
2-1-1 Information and referral (purpose restriction)	\$ 15,000	\$ 20,000
Contributions for the subsequent fiscal year's campaign (time restriction)	27,385	11,978
Sponsorships for the subsequent fiscal year (time restriction)	-	2,000
Women's Leadership Council (purpose restriction)	4,446	4,446
Beneficial interest in perpetual trust (perpetual restriction)	4,682,366	4,441,173
	<u>\$ 4,729,197</u>	<u>\$ 4,479,597</u>

Investment income received from the perpetual trust is unrestricted.

#### Note 9. Allocations to Agencies

Allocations were as follows:

	2019			2018
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
American Indian Community Housing Organization	\$ 10,364	\$ 2,591	\$ 7,773	\$ 10,962
American Red Cross - Northern Minnesota Chapter	5,895	1,474	4,421	6,235
Arc Northland	9,367	2,342	7,025	9,908
Boys & Girls Clubs of the Northland	37,741	9,435	28,306	39,921
Center City Housing Corp.	24,550	6,137	18,413	25,968
Children's Dental Services	6,876	1,719	5,157	7,273
Churches United in Ministry	46,374	11,593	34,781	49,052
Community Action Duluth	36,122	9,030	27,092	38,207
Courage Center	7,437	1,859	5,578	7,866
Damiano Center	55,775	13,944	41,831	58,997
Duluth Area Family YMCA	17,887	4,472	13,415	31,329
Duluth Community School Collaborative	28,762	7,190	21,572	30,423
Girl Scouts - Northern Pine Council	16,176	4,044	12,132	17,110
Goodwill	7,525	1,881	5,644	7,960
Human Development Center	40,006	10,001	30,005	42,316
Just Kids Dental	6,876	1,719	5,157	7,273
Lake Superior Community Health Center	51,127	12,781	38,346	54,080
Legal Aid Service of NE MN	51,241	12,810	38,431	54,201
Life House	90,105	22,526	67,579	95,309
Lutheran Social Service	36,102	9,025	27,077	38,188
Men as Peacemakers	26,942	6,735	20,207	28,498
Mentor North, Inc.	62,110	15,527	46,583	-
Positive Energy Outdoors	9,938	2,485	7,453	10,512
Safe Haven Shelter	31,608	7,902	23,706	33,433
Salvation Army	51,010	12,753	38,257	53,957
Second Harvest Northern Lakes Food Bank	19,786	4,946	14,840	20,929
SOAR Career Solutions	38,881	9,720	29,161	41,127
The Hills Youth and Family Services, Inc.	48,806	12,201	36,605	51,624
Volunteer Attorney Program	7,368	1,842	5,526	7,793
Welch Center, Inc., DBA Valley Youth Center	64,594	16,148	48,446	112,123
YWCA	45,961	11,490	34,471	48,615
Changes in 2018 Allocation Payable	-	-	-	(1,423)
Duluth Area Community Care allocations	<u>993,312</u>	<u>248,322</u>	<u>744,990</u>	<u>1,039,766</u>

(Continued)



## Head of the Lakes United Way

### Notes to Financial Statements

#### Note 9. Allocations to Agencies (Continued)

	2019			2018
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
Care Partners of Cook County	\$ 3,820	\$ 955	\$ 2,865	\$ 3,820
Community Partners	8,190	2,048	6,142	8,190
Just Kids Dental	1,092	273	819	1,092
Northshore Area Partners	5,461	1,365	4,096	5,461
Northshore Collaborative	1,092	273	819	1,092
North Shore Horizons	2,184	546	1,638	2,184
Two Harbors Area Food Shelf	5,461	1,366	4,095	5,461
North Shore Community Care allocations	<u>27,300</u>	<u>6,826</u>	<u>20,474</u>	<u>27,300</u>
American Red Cross - Northern Minnesota Chapter	5,673	1,419	4,254	6,000
Boys & Girls Clubs of the Northland	23,635	5,910	17,725	25,000
Catholic Community Services, Inc. (funded programs: Foster Grandparents and RSVP Bookworms Project)	1,535	1,535	-	6,500
Center Against Sexual & Domestic Abuse, Inc.	20,388	5,097	15,291	21,565
Challenge Center	2,014	504	1,510	2,130
Douglas County 4-H Clubs, Inc.	-	-	-	5,016
Duluth Area Family YMCA	-	-	-	2,083
Faith United Methodist Church (funded program: Harbor House Crisis Shelters)	21,117	5,280	15,837	22,336
Health Care Clinic	1,007	252	755	1,065
Just Kids Dental	5,034	1,260	3,774	5,325
Lake Superior Community Health Center	3,908	978	2,930	4,134
Lutheran Social Service of Wisconsin and Upper Michigan	2,014	504	1,510	2,130
Mentor North, Inc.	23,635	5,910	17,725	6,250
School District of Superior	18,908	4,728	14,180	20,000
Superior Douglas County Family YMCA	5,034	1,260	3,774	5,325
Superior Vocation Center, Inc.	12,871	3,219	9,652	13,614
Welch Center, Inc., DBA Valley Youth Center	-	-	-	16,667
Superior/Douglas County Community Care allocations	<u>146,773</u>	<u>37,856</u>	<u>108,917</u>	<u>165,140</u>
Northwoods Women, Inc. (dba, New Day Shelter)	3,000	750	2,250	4,316
The BRICK Ministries, Inc	7,175	1,794	5,381	13,175
Ashland/Bayfield Community Care allocations	<u>10,175</u>	<u>2,544</u>	<u>7,631</u>	<u>17,491</u>
Total Community Care allocations	<u>1,177,560</u>	<u>295,548</u>	<u>882,012</u>	<u>1,249,697</u>
Duluth Profile Project	2,000	2,000	-	2,000
Total initiatives distributions	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total agency allocations	<u>\$ 1,179,560</u>	<u>\$ 297,548</u>	<u>\$ 882,012</u>	<u>\$ 1,251,697</u>

These amounts do not include contributions that donors have designated for a specific beneficiary.

#### Note 10. Retirement Plan

The Organization has a defined contribution retirement plan covering substantially all full-time employees 21 years of age or older with at least one year of service. Contributions are 5.5% of each covered employee's salary with less than five years of service. Contributions are 6.0% of each covered employee's salary with five years or more of service. Total contributions were \$34,624 and \$32,260 for the years ended June 30, 2019 and 2018, respectively.

#### Note 11. Operating Lease

The Organization leases office space from the Ordean Foundation based upon an agreement renewed annually. Total office space rent expense was \$39,337 and \$38,526 for the years ended June 30, 2019 and 2018, respectively.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 12. Board Designated Net Assets

Net assets have been designated by the Board to support strategic business practices and to ensure the long-term health of the Organization. Amounts are designated for, but are not limited to managing cash flow interruptions, minimizing the need for working capital borrowing, meeting commitments and obligations, and generating investment income. In addition, the contribution received related to the acquisition of United Way-Superior-Douglas County, Inc. less expenditures incurred related to United Way of Superior-Douglas County, Inc., has been designated for use to support the campaigns related to Wisconsin Programs. Designated net assets were as follows:

	2019	2018
Strategic business practices	\$ 558,262	\$ 576,748
Wisconsin programs	241,784	249,282
	<u>\$ 800,046</u>	<u>\$ 826,030</u>

#### Note 13. Risks and Uncertainties

The investments held in perpetual trust and by others in which the Organization has beneficial interests consist of various investment securities. Investment securities are exposed to risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's interest in such assets and the amounts reported in the statement of financial position.

#### Note 14. Pending Accounting Standards

The Financial Accounting Standards Board (FASB) has issued several accounting standards updates not yet implemented by the Foundation. Listed below are the accounting standards updates which may impact future financial statements of the Organization.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for the Organization beginning with its year ending June 30, 2020. In April and May 2016, the FASB issued ASU Nos. 2016-10 and 2016-12, respectively, as amending and clarifying certain provisions of ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact the adoption of this standard will have on the financial statements.

ASU No. 2016-02, *Leases* the guidance in this ASU, issued February 2016, will be effective for the Organization beginning with its year ending June 30, 2021. The guidance in this ASU supersedes the leasing guidance in FASB Accounting Standards Codification Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements with certain practical expedients available.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### **Note 14. Pending Accounting Standards (Continued)**

ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*, requiring the statement of cash flows to explain the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective for the Organization for the fiscal year ending June 30, 2020.

ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, issued June 2018, will be effective for the Organization beginning with its year ending June 30, 2020. This update clarifies and improves the scope and the accounting guidance for contributions received and contributions made.



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

To the Board of Directors  
Head of the Lakes United Way

We have audited the financial statements of Head of the Lakes United Way as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon, dated October 16, 2019, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Duluth, Minnesota  
October 16, 2019

Head of the Lakes United Way

Other Program Services  
Years Ended June 30, 2019 and 2018

	2019			
	Community Impact	Fund Distribution	AFL-CIO Community Services	Volunteer Center
Salaries	\$ 105,176	\$ 5,397	\$ 40,973	\$ 19,736
Payroll taxes	7,617	388	2,940	1,405
Employee benefits	37,671	1,078	8,923	11,014
<b>Total salaries and related expenses</b>	150,464	6,863	52,836	32,155
Conferences, conventions, and meetings	12,917	161	650	24
Insurance	1,370	19	-	-
Membership dues	993	51	-	75
Other	2,316	19	-	80
Occupancy	6,278	322	3,551	590
Postage	697	65	11	6
Printing and marketing	1,288	38	573	70
Professional fees	413	5	57	32
Rental and maintenance of equipment	11,235	152	190	3,240
Supplies	927	13	24	-
Telephone and communications	2,104	171	637	231
Special events	3,243	-	-	3,149
Donated services	450	-	-	-
United Way Worldwide	10,843	147	-	-
Depreciation	3,251	167	-	-
	<b>\$ 208,789</b>	<b>\$ 8,193</b>	<b>\$ 58,529</b>	<b>\$ 39,652</b>

2019			
2-1-1 Information and Referral	Total		2018
\$ 149,084	\$ 320,366	\$	339,695
10,621	22,971		26,979
28,808	87,494		68,869
188,513	430,831		435,543
1,097	14,849		16,951
3,194	4,583		4,744
-	1,119		1,976
5	2,420		2,008
7,157	17,898		21,079
2	781		1,201
261	2,230		2,535
235	742		3,881
1,500	16,317		17,857
476	1,440		1,923
1,866	5,009		5,623
-	6,392		5,626
-	450		450
-	10,990		12,783
-	3,418		5,242
\$ 204,306	\$ 519,469	\$	539,422

Head of the Lakes United Way

Fundraising Expenses  
Years Ended June 30, 2019 and 2018

	2019			2018
	Resource Development	Marketing	Total	
Salaries	\$ 179,016	\$ 29,024	\$ 208,040	\$ 162,153
Payroll taxes	12,678	2,072	14,750	12,895
Employee benefits	30,302	8,162	38,464	28,979
<b>Total salaries and related expenses</b>	<b>221,996</b>	<b>39,258</b>	<b>261,254</b>	<b>204,027</b>
Conferences, conventions, and meetings	6,886	1,092	7,978	6,696
Insurance	778	108	886	724
Membership dues	2,148	299	2,447	2,598
Other	6,309	108	6,417	7,454
Occupancy	13,574	1,887	15,461	11,744
Postage	3,411	-	3,411	2,577
Printing and marketing	4,856	223	5,079	8,912
Professional fees	442	64	506	3,803
Rental and maintenance of equipment	6,563	887	7,450	6,641
Supplies	2,065	73	2,138	2,065
Telephone and communications	3,974	782	4,756	4,316
Special events	6,631	-	6,631	7,407
Donated services	1,680	-	1,680	25,365
United Way Worldwide	6,159	856	7,015	5,973
Depreciation	7,024	976	8,000	7,071
	<b>\$ 294,496</b>	<b>\$ 46,613</b>	<b>\$ 341,109</b>	<b>\$ 307,373</b>